AR22

Annual Report 1979

TARA

Above: Sublevel blasthole stoping operation.

TARA

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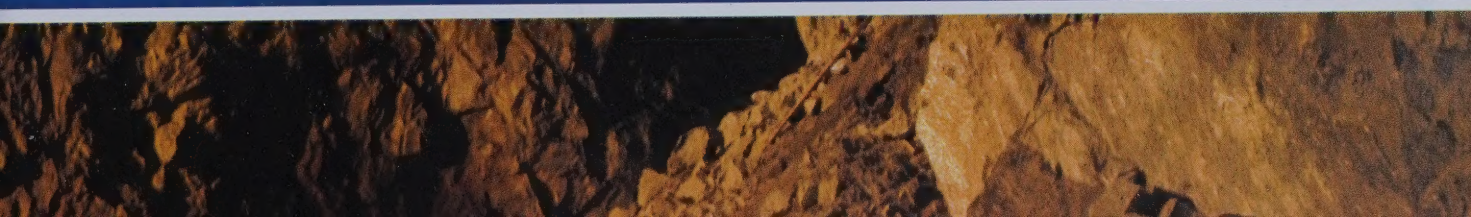


Corporate Information

BOARD OF DIRECTORS

SYLVESTER P. BOLAND

FREDERICK E. BURNET

CHARLES CARVILL

E. KENDALL CORK

MATTHEW GILROY

JAMES HANRATTY

MURRAY B. HOFMEYR

PATRICK J. HUGHES

BRENDAN HYNES

MICHAEL McCARTHY

JOSEPH V. McPARLAND

HUGH MURPHY

PATRICK J. MURPHY

MURROGH V. OBRIEN

ALFRED POWIS

JOHN J. TULLY

OFFICERS

MICHAEL McCARTHY
President

MURROGH V. OBRIEN
Executive Vice-President
and General Manager

MATTHEW GILROY
Vice-President

BRENDAN HYNES
Vice-President

PETER McALEER
Vice-President

JOSEPH V. McPARLAND
Secretary-Treasurer

AUDITORS

Thorne Riddell,
Chartered Accountants,
Toronto, Canada.

Griffin, Lynch & Co.
Chartered Accountants,
Dublin, Ireland.

SOLICITORS

Fasken & Calvin, Toronto, Canada

McCann, Fitzgerald, Roche & Dudley,
Dublin, Ireland

REGISTRAR AND TRANSFER AGENT

Crown Trust Company,
Toronto, Canada

Charter Consolidated Limited,
Ashford, Kent, England

EXECUTIVE OFFICE

162 Clontarf Road,
Dublin, Ireland
Telephone: 332211
Telex: 25881 IBAM - EI.

REGISTERED OFFICE

Suite 3140,
P.O. Box 143,
1 First Canadian Place,
Toronto, Ontario, M5X 1C7
Telephone: area code (416) 362-6683
Telex: 06-217766

ANNUAL MEETING OF SHAREHOLDERS

June 5th, 1980, 10.00 a.m.

Library Room,
Royal York Hotel,
Toronto, Canada

Tara Exploration and Development Company Limited

TARA

Twenty-Sixth Annual Report 1979

Tara's employees total 912 of whom some 350 work underground

Report to Shareholders

Highlights of 1979

A marked improvement was recorded in the company's operations during 1979. A net income of $9.05 million is reported on sales of $86.42 million; the comparative results for 1978 were a net loss of $10.70 million on sales of $49.39 million. Exploration progress was also made in broadening the range of minerals being actively sought and the identification of areas of interest.

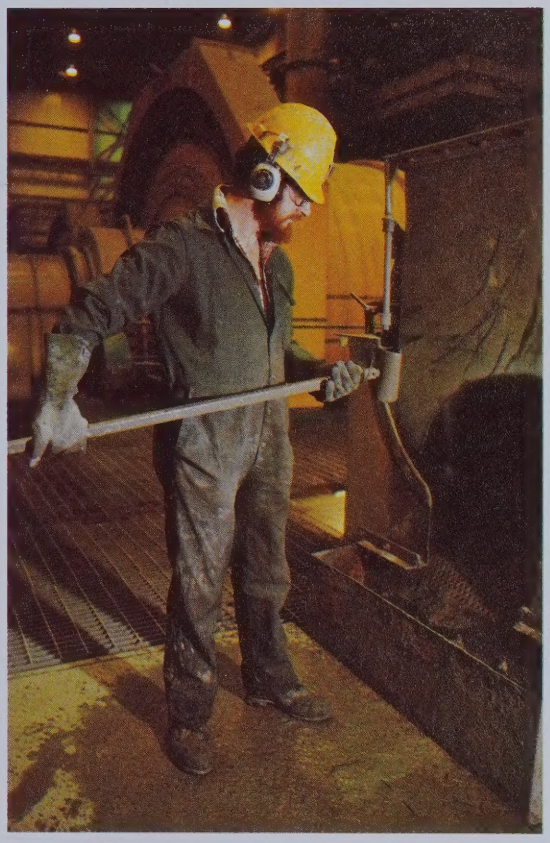
Results for the year were adversely affected by curtailment of mining activities in the north eastern area of the orebody during the January/June period while the Company's mining plan was reviewed.

During November/December mine production approached capacity. On December 19 an industrial dispute involving underground workers stopped ore production completely. The miners returned to work on January 16, 1980 and since resumption of work, production has been satisfactory.

During the year 1,650,000 tonnes were hoisted and 1,640,000 were milled producing 293,629 tonnes of zinc concentrate and 54,716 tonnes of lead concentrate. Zinc concentrate sales were 287,568 tonnes and lead concentrate sales were 51,769 tonnes.

The workforce engaged on the Navan mine currently totals 912 people. Further recruitment is taking place to increase the number of underground mine personnel. Emphasis continues to be placed on industrial relations and safety training.

Market conditions throughout the year remained unstable with zinc prices ranging from $760 at the beginning of the year to $845 by May only to fall to $780 during August. During February, 1980 the price increased to $825 and fell again to $780 at the end of April. The zinc price outlook for the remainder of 1980 is poor. The prospects for lead prices are also less favourable than in 1979.



Costs of power, oil and cement rose substantially during the year and the trend of such costs continues to be a major cause for concern. A programme to reduce operating costs is being intensified to ensure that such costs are kept to the minimum. The energy conservation programme noted in last year's Annual Report is continuing to receive priority because of the high cost and difficulties associated with obtaining reliable energy supplies.

Left: Zinc flotation.

Right: Pulp density sampling in the crushing section of the mill.

Capital expenditures for the year 1979 amounted to $8.0 million. A substantial reduction in this level of expenditure is planned for the current year. Additional expenditures of $5.2 million are planned for 1980 of which $2.0 million will be incurred on the expansion of the tailings dam – a project started during 1979.

The Company's wholly owned subsidiary Tara Prospecting Limited currently holds Prospecting Licences covering 710 sq. miles in its own name or in joint ventures. Though primarily concentrating on base metals, exploration for industrial minerals and uranium continues.

The recent fall in zinc and lead prices combined with the effects of inflation and high interest rates will have a substantial adverse impact on the Company's financial resources during 1980. However, a principal repayment of $15,214,000 made ahead of schedule during October, 1979, will ease the interest burden. The first scheduled repayments of principal under the terms of the financing agreement are due on July 20, 1980.

Above: A ring drilling machine used to drill production blastholes in stoping operations.

Right: The primary jaw crusher is located 350 metres underground.

Mr. Frederick E. Burnet, Mr. Murray B. Hofmeyr and Mr. Patrick Murphy have indicated that they do not wish to offer themselves for re-election to the Board on their retirement at the next Annual Meeting. I would like on behalf of the Board and Shareholders to record my appreciation of their substantial personal contribution to the Company's progress during its very difficult development phase over the past six years.

The following have agreed to accept the Company's invitation to join the Board and are therefore nominees for election at the Annual Meeting.

Mr. Norman Anderson
Chairman and Chief Executive Officer, Cominco Ltd.
Mr. John Neil Clarke,
Managing Director, Charter Consolidated Limited.
Mr. William James,
Executive Vice-President, Noranda Mines Limited.

The proposed nominees have an extensive background in the mining industry and your company would be fortunate to benefit from their experience.

The future of the Company depends on the ability and efforts of those associated with it. On behalf of the Board of Directors I wish to record the Board's appreciation of the employees contribution to the results achieved during 1979.

MICHAEL McCARTHY — May 12, 1980
PRESIDENT — Dublin, Ireland.

The Year in Review

Exploration

The Company maintained an active exploration programme throughout Ireland during the year. While the programme was primarily directed at locating lead, zinc and copper orebodies, the search for uranium was also pursued. Some progress was made in the search for industrial minerals.

The Company's exploration efforts are conducted through its wholly owned subsidiary, Tara Prospecting Limited, and its 75 per cent owned subsidiary, Tara Mines Limited. While the exploration activities of Tara Prospecting involve a countrywide search for all the minerals referred to above, the Tara Mines' exploration effort is focused on the search for base metals in the neighbourhood of its Navan mine.

Tara Prospecting's exploration programme was conducted over 53 exploration licences covering 710 square miles; 38 of the licences, covering 490 square miles, are wholly owned and the remainder are held in joint ventures. The number of licences wholly owned was reduced during the year from 49 to 38 in the light of exploration results on certain properties. The joint venture properties were increased from 10 to 15.

The search for base metals within the Carboniferous Limestones has followed geochemical anomalies, pyritic zones and structural targets without locating significant sulphides. The exploration effort is also directed towards the pre-Carboniferous rocks with minor lead/zinc mineralisation being located in the Ordovician acid volcanic suite of the South East of Ireland where work continues. Extensive geological anomalies over Devonian Sandstones have been investigated and the identification of barite mineralisation has led to further exploration efforts. The search for industrial minerals will be intensified during 1980.

The uranium programme is conducted in a joint venture with Irish Base Metals Limited, a wholly owned subsidiary of Northgate Exploration Limited. The results have been interesting and a programme of further work is being reviewed.

Companies exploring in Ireland are now increasingly forced to concentrate on deeper lying orebodies; the intensive exploration of past decades has reduced the likelihood of further discoveries close to the surface. The prospectors' work is complicated by a thick overburden of variable nature covering the rocks of interest. These factors, as well as sharp increases in unit costs of exploration services and supplies, have led to rapidly increasing expenditures by exploration companies. As a result, companies have tended to concentrate exploration programmes over areas of particular interest and this is reflected in a reduction in the number of licences held by your Company. This trend is expected to continue.

Marketing

Zinc and lead concentrate deliveries to customers under Tara's long term sales contracts increased during the year. Severe weather conditions in January and again in December temporarily restricted the shipping of concentrates.

Zinc

Zinc prices increased steadily during the first part of 1979, rising from $760 tonne in January to $800 during February and up to $845 tonne during May. A weakening world economy led to a fall in price to $780 during August. Cut-backs in mine and refinery production combined with political uncertainty resulted in a price rise to $825 tonne during February 1980. However, a recession in zinc using industries, particularly the automotive sector, caused a price decline to $780 during April, 1980. Poor economic prospects suggest continued pressure on zinc prices.

Consumption of zinc rose slowly during 1979. Consumption declined in the developed economies of the western world but this was more than offset by rises in consumption in the developing countries. However, metal production increased more quickly than consumption and the consequent surplus added to changes in non-producer stocks resulted in an 84,000 tonne rise in producer metal stocks to 482,000 tonnes.

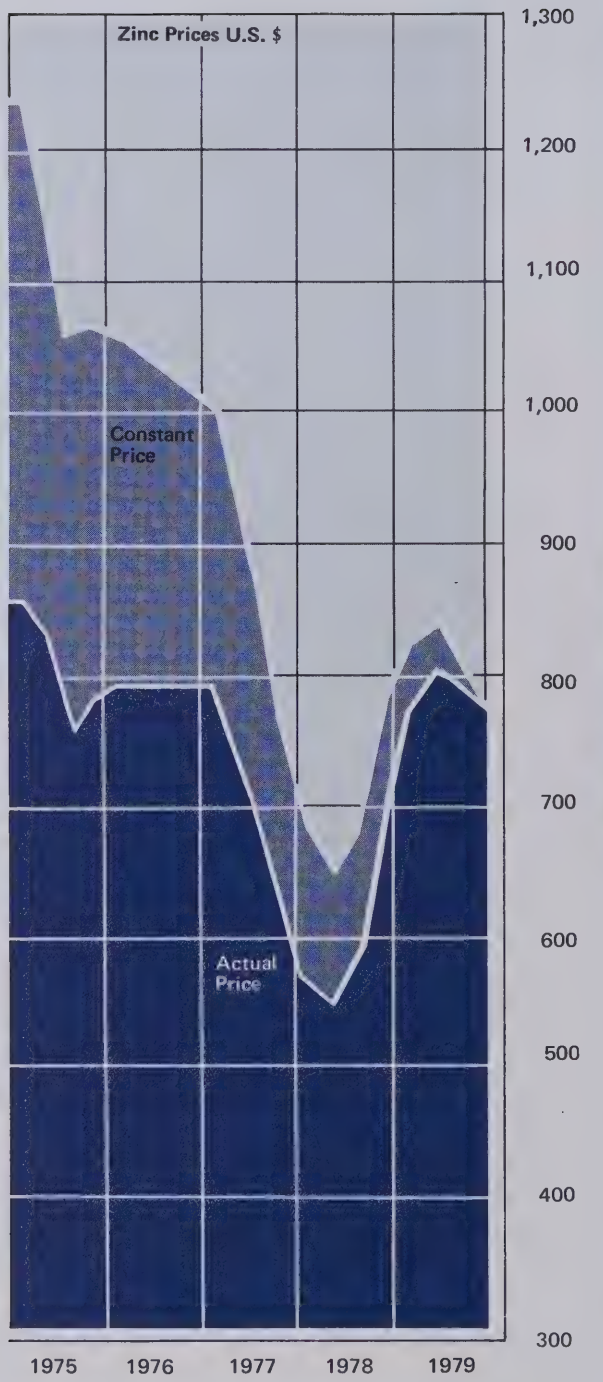
Lead

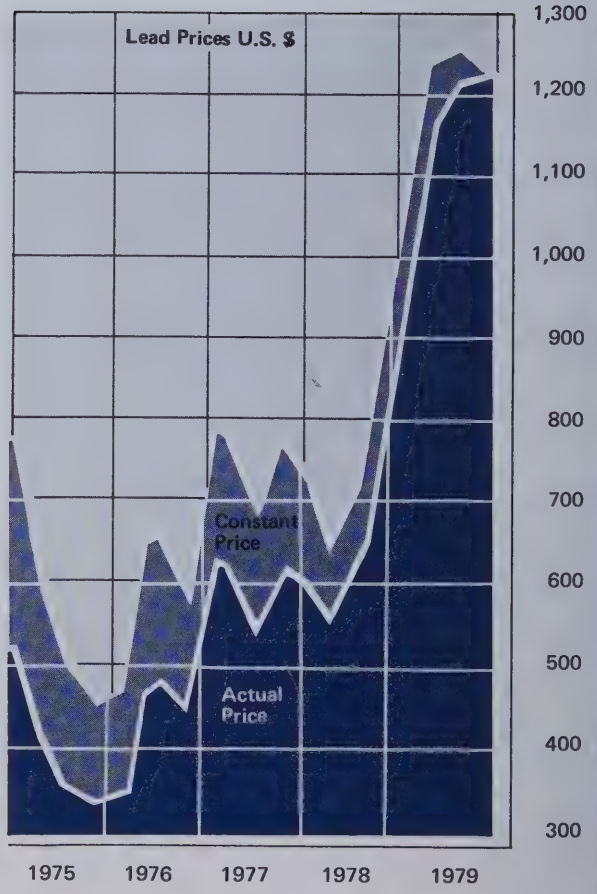
Lead prices were strong for most of 1979. The London Metal Exchange price rose from £439 tonne in January to £474 tonne during June. The latter half of the year saw large fluctuations in price from £494 tonne during July to £643 tonne during October falling back to £500 tonne at year end.

World mine production of lead in 1979 was unchanged from the 1978 level at 2.51 million tonnes. World refined output rose by 3.9 per cent to 3.97 million tonnes with European production rising by almost 2 per cent to 1.5 million tonnes. However, refined lead consumption was static at 3.84 million tonnes, due principally to a slackening in demand in the U.S. where there was a reduction of 7 per cent in consumption.

Lead stocks held by producers in the U.S. showed a rapid rise in the last two months of 1979. Total producers' closing stocks of about 173,500 tonnes showed an increase of 25,500 tonnes on the opening position at the beginning of the year.

The mild winter of 1979/80 led to a reduction in the demand for car batteries. The drastic cut-back in automotive production and a slowdown in world wide construction activity will lead to a further drop in consumption in 1980. Mine production is expected to rise by 150,000 tonnes as the new Aggeneys mine in





South Africa comes on stream. Refined metal stocks are expected to rise with a consequent effect on lead prices unless there is a drop in the secondary lead sources.

Silver

During the year under review the price of silver increased considerably. During 1979 the spot price of silver rose from $6/oz. at the beginning of the year to $32 by year end. Political uncertainties led many investors to purchase silver as a store of value and powerful speculative influences caused much of the

price rise. For some years silver consumption has been above primary metal production and stock-pile sales have made up the difference between production and consumption. Although silver prices increased to $50/oz. at the beginning of 1980, prices have since fallen sharply to $10/15 oz, — still well above the price levels prevailing during early 1979.

The rise in silver prices, though beneficial in the short term, can have an adverse impact on industrial users. Political and speculative factors are expected to be the dominant influences on the silver price for the remainder of 1980.

Zinc (000's tonnes)	**1979**	**1978**	**1977**
Metal Consumption	4693	4560	4228
Producer Stocks	482	398	829
Metal Production	4732	4287	4276
Mine Production (metal content)	4603	4633	4827

Source: ILZRO

Lead (000's tonnes)			
Metal Consumption	3841	3806	3892
Producer Stocks	174	148	178
Metal Production	3970	3820	3895
Mine Production (metal content)	2510	2513	2509

Source: ILZRO

The central control panel monitors and controls all crushing, flotation and drying operations in the mill.

Production

Development advance and ore production continued to improve throughout the year.

The mine production programme was severely curtailed by the suspension of mining activities in the northern boundary area pending the results of an investigation of Tara's mining plan. Following representations that Tara's plan might have an adverse effect on the possible mining plan of a neighbouring mineral rights owner, Bula Limited, discussions were held during January, 1979, as to the appropriate mining procedures to be adopted by Tara and Bula in the vicinity of their boundary area in order to ensure that these were compatible. Although Tara believed that its plan would not have an adverse impact on Bula's proposed mining plan, it voluntarily suspended mining operations near the boundary area pending a review of its mining plan by a committee of technical experts and discussions between Tara and the Department of Industry, Commerce and Energy. The committee reported during May, 1979, and following acceptance of their reports by Tara and the Department, Tara resumed mining activities in the boundary area during June, 1979.

On May 23, 1979, the main production hoist motor failed and ore production was suspended for six days until a temporary replacement motor was installed. This hoist operated at reduced capacity until the repaired hoist motor was returned to service on July 1, 1979.

Recruitment and training of personnel continued to increase the mine workforce to the level necessary to meet development requirements and maintain production. The training programmes have been successful in the training of an effective local workforce. These programmes cover industrial relations, the efficient use and maintenance of modern mining equipment and procedures for the achievement of the highest standards of safety. As the general level of skill increases, most supervisory personnel are recruited from the company's employees.

During the year, ore hoisted amounted to 1,650,000 tonnes, an increase of 470,000 tonnes over 1978. Main development advance was 1,742 metres and stope development 10,741 metres. The comparative development figures for 1978 were 2,113 metres and 9,407 metres respectively. Production increased steadily and by year end had reached 92 per cent of the full production rate. The commissioning of the backfill plant and distribution system was successfully completed during the year.

Concentrate production during the year amounted to 293,629 tonnes of zinc concentrate and 54,716 tonnes of lead concentrate. This production came from the treatment of 1,640,000 tonnes of ore grading 11.4 per cent zinc and 2.5 per cent lead. The Dublin shipping facility continued to operate satisfactorily throughout the year notwithstanding two general port disputes which resulted in the loss of fifteen possible shipping days; these delays had no impact on production.

Production Statistics:

Mine:		1979	1978
Ore Hoisted	Tonnes	1,650,220	1,180,130
Ore-Surface Stockpile	Tonnes	Nil	191,510
Main Development	Metres	1,742	2,113
Stope Development	Metres	10,741	9,407
Backfill Placed	Tonnes	225,257	Nil
Mill:			
Ore Milled	Tonnes	1,640,120	1,381,140
Head Grade	% Zn	11.35	10.69
	% Pb	2.48	2.27
Recoveries	% Zn	91.1	91.6
	% Pb	82.2	83.4
Concentrate Grade	% Zn	55.0	55.6
	% Pb	60.9	62.3
Approximate Payable Metal in Concentrates			
Zinc	Tonnes	161,525	132,260
Lead	Tonnes	33,306	26,042

The coarse ore storage building provides a backdrop to a football match on the company's sportsfield.

Auditors' Report

To the Shareholders of Tara Exploration and Development Company Limited

We have examined the consolidated balance sheet of Tara Exploration and Development Company Limited as at December 31, 1979 and the consolidated statements of income, deficit and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at December 31, 1979 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Thorne Riddell

THORNE RIDDELL
CHARTERED ACCOUNTANTS

Toronto, Canada.

February 8th 1980

Tara Exploration and Development Company Limited

(Incorporated under the laws of Ontario)
and its subsidiary companies

Consolidated Balance Sheet

As at December 31. 1979
Expressed in thousands of U.S. dollars

	1979	1978
ASSETS		
Current Assets		
Cash including term deposits	$2,499	$4,174
Smelter settlements receivable at estimated net realizable value	9,174	4,569
Accounts receivable and prepaid expenses	3,401	1,894
Inventories (note 2)	8,164	4,973
	23,238	15,610
Investments (note 3)	3,387	3,362
Fixed Assets		
Land, buildings, equipment and construction in progress, at cost	99,157	91,233
Less accumulated depreciation	13,862	8,446
	85,295	82,787
Other Assets and Deferred Charges (note 4)	70,313	73,943
	$182,233	$175,702
LIABILITIES		
Current Liabilities		
Bank loan		$410
Accounts payable and accured liabilities	$15,872	11,177
Income taxes payable	226	445
Due to shareholders	759	392
Long term debt maturing within one year	8,500	
	25,357	12,424
Other Liabilities		
Long term debt (note 5)	127,066	148,145
Deferred income taxes and royalties (note 6)	4,784	2,787
Minority interest	1,596	(706)
	133,446	150,226
SHAREHOLDERS' EQUITY		
Capital Stock (note 7)		
Authorized — 7,000,000 shares of Cdn. $1 each		
Issued — 6,559,360 shares (1978 — 6,459,360)	6,308	6,225
Contributed Surplus	20,310	19,062
	26,618	25,287
Deficit	3,188	12,235
	23,430	13,052
	$182,233	$175,702

Commitments (note 11)

Approved by the Board MICHAEL McCARTHY, Director

BRENDAN HYNES, Director

Notes to Consolidated Financial Statements

December 31, 1979
Expressed in U.S. dollars

1. Summary of Significant Accounting Policies

(a) Principles of consolidation
The consolidated financial statements include the financial statements of all subsidiary companies, the more significant of which are Tara Mines Limited and Tara Prospecting Limited.

(b) Currency translation
Currency balances, other than those in United States dollars, are translated as follows:

(i) Current assets (other than inventories stated at cost) and liabilities at year end rates;

(ii) All other assets, minority interest and shareholders' equity at historical rates;

(iii) Revenue and expense transactions at the average rate of exchange prevailing during the year except for depreciation and amortization which are translated at rates applicable to the related assets.

Gains or losses resulting from translation of foreign currency balances are included in the statement of income.

(c) Inventories
Inventories of concentrates and metals are stated at the lower of cost and net realizable value. Inventories of supplies are stated at the lower of cost and replacement cost.

(d) Investment
The investment in Northgate Exploration Limited ceased to be accounted for under the equity method on November 17, 1978, the date on which the company reduced its interest from 21.8% to 7.3%.

(e) Depreciation and amortization

(i) Fixed assets, other than land not used for mining, are depreciated over the shorter of the expected useful lives of the assets and the life of the mine. The straight line method is used for mobile equipment at a rate of 25% per annum. All other fixed assets are depreciated on the unit of production method, based on metallic content of the ore reserves estimated to be recoverable during the life of the mine.

(ii) Development and preproduction expenditures deferred, together with lease acquisition costs, are amortized on the unit of production method as described above.

(f) Exploration
Consequent upon the commencement of commercial production, exploration expenditures are charged to income in the period in which incurred. Deferred exploration expenditures on non-producing properties accumulated prior to commencement of production were written off in 1978.

(g) Deferred income taxes and royalties
The Company follows the tax allocation basis in accounting for income taxes and mining royalty payable under the state mining lease. Taxes and royalties are deferred because of timing differences in the recognition of certain revenue and expense items for tax and financial statement purposes.

2. Inventories

	1979 '000	1978 '000
Inventories consist of the following:		
Concentrates and metal on hand	$2,434	$ 763
Supplies	5,730	4,210
	$8,164	$4,973

3. Investments

Investments include 501,714 shares in Northgate stated at $3,362,000.

Under the terms of an option, the optionee has the right to acquire these shares at any time up to November 17, 1981 at a price of Cdn. $8.50 per share for a total of Cdn. $4,265,000.

The quoted market value of investments at December 31, 1979 was $5,100,000 (1978 $2,571,000). This value is not necessarily indicative of their realizable value because of the number of Northgate shares held.

4. Other Assets and Deferred Charges

	1979 '000	1978 '000
Exploration, development and preproduction expenditures deferred	$70,086	$70,154
State mining lease	6,069	6,069
	76,155	76,223
Less accumulated amortization	5,842	2,280
	$70,313	$73,943

5. Long Term Debt

	1979 '000	1978 '000
Bank consortium loans due 1980 to 1984 with interest at 2% above the London inter-bank rate for Euro-dollar loans (2⅛% for the period July 21, 1978 to October 20, 1979)	$99,986	$111,986
9¾% Vendor credit loan due 1980 to 1986	26,786	30,000
Standby facility loan due 1988 with interest at 1% above the London inter-bank rate for Euro-dollar loans	4,000	2,000
Subordinated loan of Cdn. $5,599,000 (1978 – Cdn. $4,925,000) due 1985 to 1987 as to principal and interest, with interest at the rate applicable to the Bank consortium loans	4,794	4,159
	135,566	148,145
Less:		
Amounts due within one year	8,500	
	$127,066	$148,145

Tara Mines Limited is liable to the guarantors of the standby facility for commitment fees not exceeding:

- 2% per annum of a standby facility of $15,000,000;
- 4% per annum of an additional standby facility of $15,000,000.

Maturities of long term debt during the next five years are: 1980 – $8.5m; 1981 – $23.0m; 1982 – $33.0m; 1983 – $37.0m; 1984 – $21.0m.

The bank consortium, vendor credit and standby facility loans are secured by a first and fixed specific charge on certain property and assets of Tara Mines Limited and a floating charge on its remaining property and assets. The company has also given an unconditional guarantee for the full amount of these loans and has pledged all of its shares in Tara Mines Limited.

6. Deferred Income Taxes and Royalties

	1979 '000	1978 '000
Deferred income taxes	$4,360	$2,787
Deferred royalties	424	
	$4,784	$2,787

7. Capital Stock

(a) Warrants

During 1974, the company with the assistance of Noranda Mines Limited arranged a $6,000,000 bank line of credit. In consideration of Noranda's assistance in arranging this line of credit, the company issued to Noranda five-year warrants to subscribe for 100,000 shares of the company's capital stock at Cdn. $16.00 per share. These shares were issued to Noranda for Cdn. $1,600,000 during the year.

(b) Employees' stock options

Pursuant to the employees' stock option plan, options may be granted on up to 176,500 shares of the company's capital stock at prices not less than 90% of the market value of the shares on the date the options are granted.

At December 31, 1979 options were outstanding as follows:

No. of Shares	Option Price per Share	Expiry Date
48,000	Cdn. $13.05	Oct. 30, 1983
10,000	Cdn. $11.81	Sept. 23, 1984

No stock options were exercised during the year ended December 31, 1979.

8. Extraordinary Items

The Extraordinary Items of $3,763,000 represent a reduction in income taxes on application of prior year's loss less minority interest (1978 – $461,000 gain on sale of investments less income taxes).

9. Income Taxes

At December 31, 1979 the company's subsidiary Tara Mines Limited had deductions of $27,000,000 which are available indefinitly to reduce future years' income for tax purposes. This includes $18,000,000 of deductions for certain expenditures in excess of the original book values which is being amortized as a reduction of income for tax purposes over the life of the related assets. The tax effect of these deductions has not been recorded in the accounts.

10. State Mining Lease

The company's subsidiary, Tara Mines Limited, holds a state mining lease which extends for twenty-five years from September 1, 1975. A royalty based on profits derived from the rights under lease is payable annually to the lessor.

11. Commitments

The company's subsidiary, Tara Mines Limited, is committed to capital expenditure in the amount of $2,490,000 (1978 – $990,000).

12. Comparative Figures

Certain 1978 comparative figures have been re-classified to conform with the financial statements presentation adopted in 1979.

13. Other Statutory Information

Direct remuneration of the company's directors and senior officers (as defined by The Business Corporation's Act, Ontario) amounted to $258,000 for the year ended December 31, 1979 (1978 – $267,000).

TARA MINES LIMITED

DIRECTORS

N.B. DHONAU
D. S. FLYNN
MATTHEW GILROY
BRENDAN HYNES
WILLIAM JAMES
MICHAEL McCARTHY
JOSEPH V. McPARLAND
HUGH MURPHY
PATRICK J. MURPHY
MURROGH V. OBRIEN
A. A. PAKENHAM-WALSH
JOHN J. TULLY

Alternate Directors

SYDNEY FILER
JOHN A. HALL
PATRICK J. HUGHES
PETER McALEER

OFFICERS

MICHAEL McCARTHY,
Chairman

FRANK B. DONNELLAN
Treasurer

BRENDAN HYNES,
Deputy Chairman and
Chief Executive Officer

DAVID J. LIBBY
Vice President
General Manager — Mining

GERARD J. REYNOLDS
Financial Controller

JOHN J. TULLY
Secretary

TARA PROSPECTING LIMITED

MICHAEL McCARTHY
Director

MURROGH V. OBRIEN
Director

DEREK M. ROMER
General Manager

JOHN J. TULLY
Secretary

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